

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTUCKY POWER)	
COMPANY FOR AUTHORITY TO ISSUE AND)	
SELL FIRST MORTGAGE BONDS OF ONE)	CASE NO. 94-035
OR MORE NEW SERIES)	

O R D E R

On January 31, 1994, Kentucky Power Company ("Kentucky Power") applied for authority to issue and sell long-term debt in the form of First Mortgage Bonds ("New Bonds") in one or more transactions from time to time through June 30, 1995, the aggregate principal amount of which would not exceed \$100,000,000. The interest rate applicable to the New Bonds of each series would not exceed by more than 3 percent the yield to maturity at the date of pricing on United States Treasury Bonds of comparable maturity. Each series of New Bonds would have a maturity of not less than 9 months and not more than 42 years.

On March 17, 1994, Kentucky Power moved to amend its application to extend from June 30, 1995 to December 31, 1995 the time in which to issue the proposed financing. Kentucky Power's motion was granted on March 31, 1994. On April 6, 1994, Kentucky Power filed a motion seeking 1) leave to reamend its application to seek authority only through June 30, 1995 to issue and sell the New Bonds, 2) to readopt its original application filed January 31, 1994, and 3) an expedited decision in this matter.

The proceeds from the sale of the securities would be used to redeem at the regular redemption price of 101.17 percent from September 1, 1993 and 100.78 percent after September 1, 1994 all of the \$45,000,000 principal amount outstanding of the 7-7/8% Series First Mortgage Bonds due 2002, to repay short-term debt of \$25,000,000, fund the company's construction program in the amount of \$30,000,000, and for other corporate purposes as set out in response to the Commission's Order of March 10, 1994.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. Kentucky Power's forecast of construction expenditures for 1994 totals \$58,400,000, including \$2,700,000 to construct a Hazard Division office and service building. Kentucky Power has neither sought nor received a Certificate of Public Convenience and Necessity for this building and, thus, its cost has not been shown to be necessary and reasonable. Removing the cost of the building, Kentucky Power's forecasted construction expenditures still exceed the amount which will be funded from the proceeds of the proposed securities.

2. The issuance and sale by Kentucky Power of up to \$100,000,000 in New Bonds through June 30, 1995 are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, are reasonably necessary and appropriate for such purposes, and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's April 6, 1994 motion be and it hereby is granted.

2. Kentucky Power be and it hereby is authorized to issue and sell up to \$100,000,000 of its First Mortgage Bonds in one or more transactions through June 30, 1995. The securities will be sold in a public offering through one or more agents or on a negotiated or competitive bid basis with one or more underwriters or agents, or in a private placement transaction utilizing the proper documentation.

3. Kentucky Power shall agree only to such terms and prices that are consistent with the parameters set out in its application.

4. Kentucky Power shall, within 30 days after the issuance of each series of New Bonds, file with the Commission a statement setting forth the date or dates of issuance, the price paid, the interest rate, purchasers, and all fees and expenses, including underwriting discounts or commission or other compensation, involved in the issuance and distribution and the use of the proceeds.

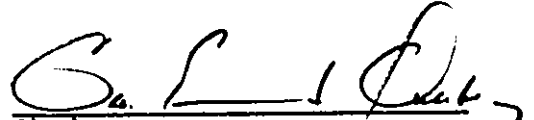
5. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.


Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the

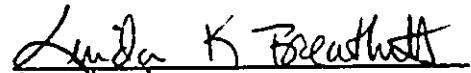
Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 19th day of April, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director